



Oil Palm Expansion in Farmers Perspective

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ABSTRACT: Studies on oil palm plantation expansion have been widely conducted and still debatable. This condition is caused by the increase in the oil palm land expansion every year. It cannot be separated from the role of investors/private companies, the state, and smallholders. This paper focuses on the farmer perspective on the oil palm plantations expansion with the purpose of describing the expansion of oil palm plantations from the farmer perspective in economy, income diversification and working time. This study used a qualitative and quantitative approach with the types of data used in this study were secondary data and primary data. The farmers feel the benefit in the economic side, increasing income and welfare levels. On the other hand, the presence of oil palm has led to the diversification of livelihoods in farmer, it makes easy in to borrow formal and non-formal institutions.

KEYWORDS: Diversification, Economic, Oil Palm

INTRODUCTION

Oil palm plantations are estimated to have around 14.456.61 hectares in Indonesia. The massive expansion is in Sumatra, Kalimantan, Sulawesi and West Papua. Meanwhile, based on the ownership, it is estimated that 54,94% of oil palm plantations in Indonesia are controlled by PBS (Private Large Plantation) and smallholders 40,79%¹. This private sector consists of national companies that get fresh funds from international investors of international companies in Indonesia (Colchester et al, 2006). The expansion of oil palm plantations also occurred in West Sumatra province, the increase in plantation area in West Sumatra is also followed by the increase in the production. The increase in oil palm plantations is supported by the assumption of farmers that oil palm commodities are very profitable in the economic field and improve welfare. It can be seen from the ownership rate of oil palm plantations by smallholders in this area².

The increase in oil palm land is inseparable from the high price of Fresh Fruit Bunches (FFB). So far, the main paradox of oil palm production is that farmers who are involved in the production chain have better incomes than those who do not participate in activities (Carmenza et al, 2015). On the other hand, the application of oil palm will encourage changes in the allocation of household resources (land, labor and capital) between farm and off-farm, where oil palm plantations can affect household income. Although oil palm often appears to increase incomes, it affects social relations and land tenure in rural areas in ways that can ultimately work against the welfare of the poor (McCarthy, 2010). This means that the development of oil palm plantations for commercial purposes will affect the local community. Inappropriate land tenure systems and lack of land security for local communities can undermine livelihoods and customary land rights. But the fact is that in areas experiencing oil palm expansion, the poverty rate is still high and this is increasing every year. It means that of oil palm expansion is still under the capitalist system, the economic activities are controlled by the stronger groups in society and are directed at developing greater resources more than the subsistence needs and in fact oil palm plantations are only owned by a handful of people.

On the one hand, the driving force behind oil palm expansion is the presence of financiers, and these actors control large-scale oil palm plantations. On the other hand, farmers only control small-scale plantations due to inequality in land ownership and capital. This unbalanced exchange raises the dependence of farmers on government policies and capital owners so as to realize pseudo economic growth in rural areas. However, in the research area, data shows that farmers are expanding into oil palm and leaving

¹ See Statistical of National Leading Estate Crops Commodity 2019-2021

² See Statistical of National Leading Estate Crops Commodity 2019-2021



rubber plantations, there are also farmers who replace their rubber plantations with oil palm. It is inseparable from the assumption that oil palm plantations are very profitable, especially from the economic side.

From the previous research on stakeholders, companies and capital owners who are the actors and get the benefit from oil palm plantations. Meanwhile, field results in the research area show that farmers feel get the benefit from the presence of oil palm. For more details in this article, the author will describe the expansion of oil palm plantations from the perspective of farmers. The purpose of this study is to describe the expansion of oil palm plantations according to the farmers perspective in economy, diversification of livelihoods, and formal and non-formal institutional loan.

RESEARCH METHODS AND RESEARCH LOCATION

This study used qualitative and quantitative methods with data collection techniques among others: (1). Documentation. It is to find the information (Creswell, 2013). (2) Observation is observing the phenomena in the field through the five senses of researchers and recording for scientific purposes. Observations are based on research objectives and research questions such as observing the physical environment, participants, activities, interactions, conversations (Creswell, 2015). (3), in-depth interview. This is an unstructured interview between the interviewer and the informant that is conducted repeatedly with different questions and classifying the information been obtained previously. Furthermore, to obtain quantitative data, researchers used a survey with 80 respondents.

Data analysis was carried out with quantitative and qualitative approaches. In the qualitative analysis, the researcher started with data reduction, data display and conclusion drawing. According to Miles & Huberman, three components are called interactive analysis models; namely the three components of the activity in the form of interaction with the data collection process in the field as a cyclical process. In this form, the researcher keeps moving between the three components with the data collection component during the data collection process. Likewise, after the data were collected, then data reduction was performed, data display and conclusion drawing to build a substantive understanding based on the findings. Meanwhile, quantitative data analysis with simple statistical calculations using frequency and percentage tables are the source of information from the rural farmer household questionnaire. This research was conducted in the plantation area, with samples of local villages and transmigrant villages in two sub-districts in West Sumatra, Indonesia. This village is selected because it has changed from rubber to oil palm commercial plantations.

RESULTS AND DISCUSSION

Oil Palm Expansion: From a Farmer Perspective

The presence of oil palm plantation was the beginning of the emergence of oil palm farmers in the research location. On the other hand, there was a drastic decline in the rubber price and on the other hand there was an increase in the Fresh Fruit Bunches (FFB) price. This condition makes skilled farmers and open oil palm plantations or change rubber land into oil palm land. The impact is that every year that there is an increase in the oil palm land carried out by farmers.

The expansion of oil palm plantations is carried out by farmers with the fresh air. The advantage felt by farmers, especially in the research area is an increase in the economy with the implications for the welfare level by increasing the income (see Figure 1). According to Feintrenie, et al, (2010), the high price of CPO over the last two decades induced rapid economic development in the district with a rapid increase in livelihoods through increased incomes.

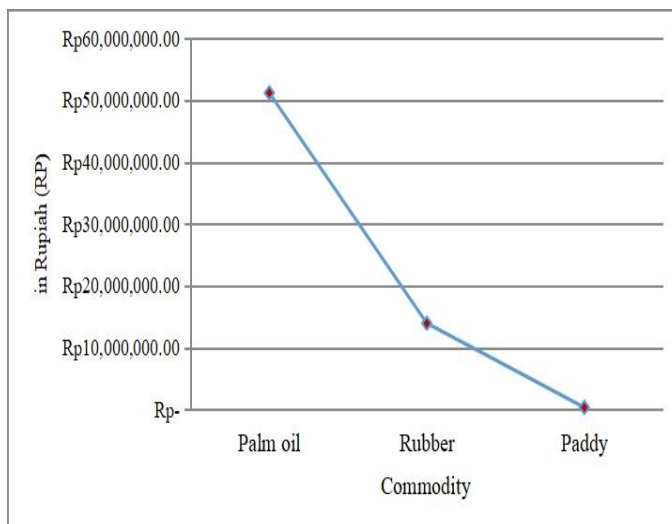


Figure 1. The structure of the average household income of farmers in rupiah (RP) per year based on agricultural livelihood sources in local villages (processed from primary data 2018)

Based on the figure above, the largest average farmer household income was from oil palm commodities at 78% while the smallest income contributor was from rice crops at 0.49%. It means that oil palm had a very large role in improving the welfare of farmers compared to other commodities, in Figure 2, it can be seen the carrying capacity of oil palm may increase the income based on the farmer households perspective.

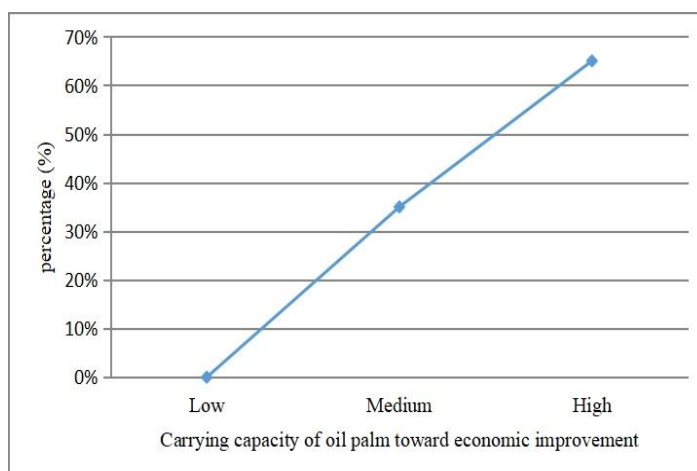


Figure 2. The carrying capacity of oil palm towards economic improvement according to the perspective of oil palm farmer households

It means that from 100% of respondents, 65% stated that the carrying capacity of oil palm to the economy was very high. It is also supported by the price of this commodity remains stable at around Rp. 1.400- Rp. 1.800an/kg with the harvest period of 20 days. Based on interview results, the informants stated that oil palm plantations saved time so farmers can work in other fields such as the construction workers, opening businesses such as stalls or going to the gold mines. It is supported by the short working time and not daily work. It is different from the rubber, the rubber commodity harvesting must be done every day and at dawn so it takes much time and a lot of labor because it must be done every day and need the involvement of wife. Meanwhile, in oil palm commodities, women/wives are only involved in fertilizing during the harvesting. Working in oil palm needs short time and not done every day, it opens the business opportunities for farmers. Based on the data, 62.5% of oil palm farmers had other businesses



or jobs other than farmers. Such as opening a business: trading household appliances, restaurants, P & D, logistics, building materials, panning for gold. On the other hand, as much as 15% work as employees in oil palm and rubber companies and 2.5% was civil servants (See Figure 3).

It is supported by the oil palm harvest once period in 20 days, so the other days can be used to do other work. In addition, harvest conditions are not dependent on weather make the cash flow of farmers more certain and promising, supported also by a fast harvest time. According to the informant, oil palm did not depend on the weather, unlike the rubber that cannot be harvested during the rainy season. On the other hand, with small working period compared to rubber, it makes the opportunity for farmers to have other jobs beside the agricultural sector. It means that the presence of oil palm creates new job opportunities and new businesses outside the agricultural sector, namely the emergence of livelihood diversification. Furthermore, the expansion of oil palm has changed the livelihood systems of farmer' households and has led to a new diversification of livelihoods for both farm and off-farm farmers (See Figure 3).

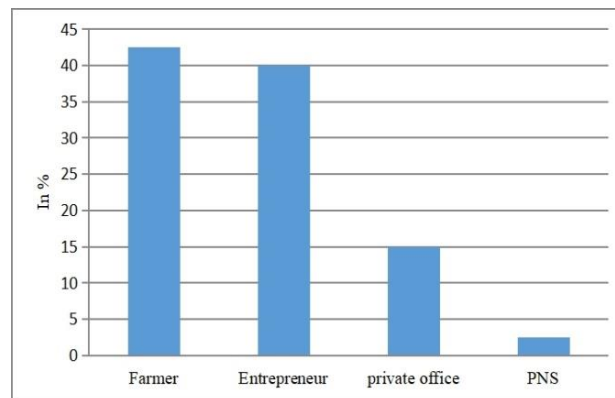


Figure 3. Average household work of oil palm farmers outside the oil palm.

Based on the above, there were 42.5% focus on agriculture, while 57.5% had additional sources of income outside the agriculture. Thus the expansion of oil palm can develop the diversity of livelihoods to obtain profitable employment opportunities, the diversity of livelihoods is more stable due to the emergence of diversification of livelihoods, both farm and off farm. According to Euler and Michael, et al (2015), the adoption of oil palm resulted in a shift from food crop production to non-food crops. Furthermore, there was an increase in farmer income because family labor was invested in non-agricultural activities which can increase and change the composition of household income. On the other hand, the adoption of oil palm can release the resources of domestic workers with low labor inputs and thereby allow expansion of agricultural land and diversification of food crop production. The results research of Elvawati, et al (2019), also found that the transformation of rubber to oil palm increased income in both the farm and non-farm sectors, besides that the research results showed that after the transformation there was a typology of farmer households based on the dominant sector, namely livelihood diversified oil palm, household with oil palm dominated livelihood structure, and household less influenced by oil palm income structure.

It means that the shift of farmers plantation crops from rubber to oil palm is supported by the benefits felt by the farmers. Based on the interview results, there was an assumption that oil palm sector can give the positive impact on farmer and village due to the certainty. On the other hand, the entry of oil palm plantations into rural areas create new opportunities for farmers to the livelihood diversification. Livelihood diversification is used as a survival strategy for rural households. Furthermore, the diversification can be seen as a useful strategy to address the problem of agricultural household income (See Figure 3).

Another advantage obtained by farmers by switching the rubber plantations to oil palm is to ease the farmers to make loans to certain parties such as banks, middlemen and lending institutions by providing guarantees for oil palm land, with the acceleration process conducted by the institutions. It is the opposite of the farmer that provides a guarantee for the rubber plantation³. It means that the presence of oil palm plantations owned by farmers ease the farmers to borrow money because oil palm is considered an attractive

³ From the interview results, the informant stated that when farmers provide guarantees for rubber land under loan, the lender did not process it but lender rejected, whereas when providing guarantees for oil palm land it only took 1 - 2 weeks to process it.



and convincing guarantee for the lender. It also cannot be separated from the fairly high price of palm oil and stable harvest time. Farmers get the loans to financial institutions, assuming the banking institutions that are sure that farmers can repay loans. Therefore, farmers feel much benefited in the commodity of oil palm.

CONCLUSION

Based on farmer perspective on oil palm, farmers still view the benefits they have received, specifically in the economic aspect. Farmers prefer the oil palm to rubber plantations because of its profit. Besides that, farmers see the working time, the welfare they get from plantation to support their household life. In addition, oil palm opens the opportunities for farmers and makes it easier for farmers to cooperate with formal financial institutions such as banks. The interesting aspect is that oil palm opens the opportunities for diversifying various sources of livelihood for farmers outside the farm, it is a new opportunity for farmers to improve the household economy.

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